

ST. PETERSBURG COLLEGE

Operational Audit



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

Terrence E. Brett, Chair
Deveron M. Gibbons, Vice Chair
Evelyn M. Bilirakis to 9-22-11 (1)
Kenneth P. Burke to 4-20-12 (2)
Robert J. Fine, Jr. from 9-23-11
W. Richard Johnston to 9-22-11 (3)
Timothy O. North from 9-23-11

Dr. William D. Law, Jr., President

- Notes: (1) Board member served beyond the end of term, May 31, 2011.
(2) Board member served beyond the end of term, May 31, 2011. Position was vacant from April 21, 2012, through June 30, 2012.
(3) Board member served beyond the end of term, May 31, 2010.

The audit team leader was Rachel Sellers, CPA, and the audit was supervised by Karen J. Collington, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

ST. PETERSBURG COLLEGE

SUMMARY

Our operational audit disclosed the following:

BOARD POLICIES

Finding No. 1: The Board needed to enhance its policies and procedures relating to electronic funds transfers.

STUDENT FEES

Finding No. 2: The College needed to strengthen its procedures for documenting user fees.

BACKGROUND

St. Petersburg College (College) is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education rules. A board of trustees (Board) governs and operates the College. The Board constitutes a corporation and is composed of five members appointed by the Governor and confirmed by the Senate. The College President serves as the executive officer and the corporate secretary of the Board, and is responsible for the operation and administration of the College.

The College has campuses in Clearwater, Seminole, St. Petersburg, and Tarpon Springs, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Pinellas County. The College reported enrollment of 22,430 full-time equivalent students for the 2011-12 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2012, will be presented in a separate report. In addition, the Federal awards administered by the College are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2012, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Board Policies

Finding No. 1: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each college board of trustees to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between colleges and other entities.

According to College records, \$33 million in electronic funds transfers were made during the 2011-12 fiscal year. Board Rule 6Hx23-5.04 authorizes the transfer of funds by electronic or other medium provided adequate control measures are established and maintained. Additionally, Procedure P6Hx23-5.04 specifies procedures for handling receipts, deposits, and disbursements of cash transactions; however, Procedure P6Hx23-5.04 does not specifically address the accounting and control procedures for payments by electronic funds transfers or the need for, or use of, electronic signatures when conducting electronic transactions with other entities. While the College had established

controls over electronic transactions, the lack of specific guidance adopted by the Board increases the risk that electronic transactions will not be executed in accordance with Board directives and provisions of Chapter 668, Florida Statutes.

Recommendation: The Board should enhance its policies and procedures to address the use of electronic funds transfers, including the use of electronic signatures.

Student Fees

Finding No. 2: Laboratory and User Fees

Section 1009.23(12), Florida Statutes, authorizes each college board of trustees to establish user fees, such as laboratory fees, that are not to exceed the cost of the services provided and may only be charged to persons receiving the service. State Board of Education Rule 6A-14.054(6), Florida Administrative Code, authorizes each board of trustees to establish user fees in addition to tuition fees for services that incur unusual costs. Additionally, the Florida College System Council of Business Affairs and the Florida Department of Education, Division of Florida Colleges, issued guidelines for assessing user fees. These guidelines provide that each board of trustees establish policies for the implementation and justification of additional user fees, defining which costs are in excess of base instructional costs, describing the documentation required to support the fees, the time period of review of such fees, and the manner of presenting such fees to the board for approval.

Board Rule 6Hx23-5.17 provided for the establishment of laboratory and user fees. The College has an internal laboratory fee calculation form that provides for a review of such fees every three years and guidance on the costs considered in excess of base instructional costs.

During the 2011-12 fiscal year, the College collected \$1.9 million from laboratory and other user fees. College procedures for assessing laboratory and other user fees needed improvement, as follows:

- Our review of five courses for which laboratory fees were assessed during the 2011-12 fiscal year disclosed the following:
 - A laboratory fee of \$45 was assessed for a management course; however, College records did not document all of the costs included in the calculation of the fee. Based on student enrollment, the total fees collected for laboratory fees for this class were \$1,200 for the 2011-12 fiscal year.
 - A ceramics class had a laboratory fee of \$110; however, College records did not document all of the costs included in calculating the fee. Based on student enrollment, the total fees collected for laboratory fees for this class were \$15,200 for the 2011-12 fiscal year.
 - An astronomy course laboratory fee of \$35 had not been reviewed since 2002, contrary to Board rule. The timely review of user fees is necessary to ensure that fees will be timely adjusted to reflect changes in costs. Based on student enrollment, the total fees collected for laboratory fees for this class were \$1,500 for the 2011-12 fiscal year.
- Although, the Board has a rule on the establishment of laboratory and user fees, the rule does not describe the types of documentation required to support the calculation of the fees. The absence of guidance on the type and sufficiency of documentation required to support the calculation of laboratory and user fees increases the risk that such fees will not be sufficient to cover all costs in excess of base instructional costs or that the fees generated will exceed the costs of the additional services provided.

Recommendation: The College should ensure that a documented calculation and periodic review of each laboratory and user fee is performed in accordance with Board Rules.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective action for the finding included in our report No. 2011-008.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida’s citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2012 to August 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to: (1) obtain an understanding and make overall judgments as to whether College internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the College; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management’s performance in these areas; and (3) determine whether the College had taken corrective actions for findings included in our report No. 2011-008. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2011-12 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing College personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the College’s compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Board meetings.	Reviewed Board minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, ready access to public, maintain minutes).
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the College had provided individuals with a written statement of the purpose of collecting their social security numbers.
Identity theft prevention program (Red Flags Rule).	Reviewed the College's policies and procedures related to its identity theft prevention program for compliance with the Federal Trade Commission's Red Flags Rule.
Student loans.	Determined whether the College had established procedures for students that transferred from other institutions of higher education, to verify that the student was not in default on student loans or was not past due on a student receivable.
Florida residency determination and tuition.	Tested student registrations to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21 and 1009.22, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
Distance learning fees.	Determined whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
Distance learning on-line registration process for transient students.	Determined whether the on-line registration process for transient students was in compliance with Section 1004.091(2)(b), Florida Statutes.
Laboratory and other user fees.	Reviewed the College's procedures and determined whether they were approved by the Board of Trustees. Tested laboratory and other user fees and examined supporting documentation to determine whether the College properly calculated these fees.
Textbook affordability.	Determined whether the College's policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
Overtime payments.	Reviewed College policies, procedures, and supporting documentation evidencing the approval of, and necessity for, overtime payments. Performed analytical procedures to determine the reasonableness of overtime payments.
Terminal pay.	Reviewed the College's rules and procedures for terminal pay to ensure consistency with Florida law. Additionally, reviewed severance pay provisions in contracts entered into after July 1, 2011, to determine whether the College was in compliance with Florida Statutes.
Administrative employees' compensation.	Reviewed administrative employees compensation to determine whether compensation did not exceed limits provided in Florida law.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Compensation for Presidents.	Determined whether the President’s compensation was in accordance with Florida law, rules, and Board policies.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with College policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.
Travel expenses.	Tested executive foreign and out-of-state travel expenses to determine whether the travel was reasonable, adequately supported, and for College purposes.
Contractual agreements.	Determined whether contractual services were supported by Board-approved contracts. Also, examined and tested the aforementioned contracts to ensure that they were properly awarded and executed, and that contract terms were adequately supported.
Construction administration.	For selected major construction projects, tested payments and supporting documentation to determine compliance with College policies and procedures and provisions of laws and rules. Also, for construction management contracts, determined whether the College monitored the selection process of architects, construction managers, and subcontractors by the construction manager.
Earmarked capital project resources.	Determined, on a test basis, whether Public Education Capital Outlay and other restricted capital outlay expenditures, were expended in compliance with the restrictions imposed on the use of these resources.
Electronic fund transfers.	Reviewed College policies and procedures related to electronic fund transfers and tested supporting documentation to determine if selected electronic fund transfers were properly authorized and supported.
Purchase of software applications.	Determined whether the College evaluated the effectiveness and suitability of the software application prior to purchase and if the purchase was performed through the competitive vendor selection process. Also, determined if the deliverables met the terms and conditions of the contract.
Direct-support organizations – audits.	Determined whether audits of direct-support organizations were done in accordance with generally accepted government auditing standards.
Direct-support organizations – conflicts of interest.	Determined whether the College had established policies and procedures to avoid potential conflicts of interest with vendors who were doing business with the College and made donations to the College’s direct-support organizations.

**EXHIBIT B
MANAGEMENT'S RESPONSE**

St. Petersburg College



Office of the President
727-341-3241

Board of Trustees

Deveron M. Gibbons
Chairman

Terrence E. Brett
Trustee

Robert J. Fine, Jr.
Vice Chairman

Timothy O. North
Trustee

William D. Law, Jr.
President

October 11, 2012

David W. Martin, CPA
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Re: Operational Audit Responses

Dear Mr. Martin:

In response to the preliminary and tentative audit findings related to your operational audit of St. Petersburg College for the fiscal year ending June 30, 2012, we submit the attached statements of explanation and corrective action.

We wish to express our appreciation to your staff for the professional and helpful manner in which they conducted the audit.

If I can be of further assistance, please do not hesitate to call me.

Sincerely,

William D. Law, Jr.
President

**EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE**

Finding No. 1: Board Policies

Recommendation: The Board should enhance its policies and procedures to address the use of electronic funds transfers, including the use of electronic signatures.

Response:

The College will add language to Board Rule 6Hx23-5.04 that includes guidance adopted by the Board that electronic transactions will be in accordance with the provisions of chapters 215 and 668, Florida Statutes.

The College will enhance Procedure P6Hx23-5.04 to address the use of electronic funds transfers, including the use of electronic signatures.

Finding No. 2: Student Fees

Recommendation: The College should ensure that a documented calculation and periodic review of each laboratory and user fee is performed in accordance with Board Rules.

Responses:

The College will add language to Board Procedure P6Hx23-5.17 that gives guidance as to the requirements for calculation and periodic review of laboratory and user fees and the related supporting documents.

The College is reviewing the current lab fee calculation methodology with the objective of developing a more concise approach to comply with regulatory requirements.